

INDUSTRY UPDATE

Biweekly Period Ending February 23, 2002

Phoenix Metro Area

Manufacturing

Defense company **Northrop Grumman Corp.** has made an **unsolicited bid** of \$5.9 billion for **TRW Corp.**, which **employs** about **1,600 workers** at three automobile air-bag manufacturing plants in the **east Valley**. However, Los Angeles-based Northrop Grumman only wants TRW's related defense and aerospace businesses, and would jettison the air-bag operations if successful in its bid. Officials at Cleveland, Ohio-based TRW were not enthusiastic about the potential merger.

A Chandler company has taken the old "rags to riches" story a step further. Four-year-old **Bonded Logic uses scraps of denim jeans** to make **cotton-fiber insulation** called UltraTouch, which is cheaper and environmentally sounder than fiberglass-produced insulation products. Bonded Logic, which **currently employs 40, plans** on building an 110,000-square-foot **production facility in Chandler** and another facility in Cincinnati. No start dates were given.

Transportation, Communications, and Public Utilities

The Phoenix metro area will likely be the major beneficiary of **4,000 workers** that **Southwest Airlines plans to hire** this year. Dallas-based Southwest, which is the only major U.S. airline currently making money, said in mid-February it would hire **250 pilots, 1,200 flight attendants, and 2,600 other workers**. The airline said that the hiring would occur across all 59 airports it serves and nine reservation centers, with particular emphasis on operations in Baltimore, Oakland, Calif., and Chicago. However, the

Valley is Southwest's largest market and the airliner operates a maintenance facility at Phoenix Sky Harbor International Airport.

DHL Worldwide Express, an international shipping company, will **make Scottsdale** home to **one** of its three **operations hubs**, bringing **350 high-paying jobs** to the Valley, with about **one-third** of the workers expected to be hired from the **Phoenix area**. DHL, which employs 70,000 in 228 countries, has operations centers in London and Malaysia, but Scottsdale's facility will also run all of DHL's worldwide communications. DHL expects to open the 106,000-square-foot facility at the Koll Perimeter Center (Loop 101 and Princess Drive) as early as June, but no later than September.

A **second round of cuts** were made at an **AT&T customer-service facility** in Mesa (7300 E. Hampton Ave.) that handles requests by businesses for local telephone service. Following about 20 layoffs at the center in January, an **additional 66 job cuts** were announced in early February as part of a company-wide plan to eliminate 5,000 jobs this year. About 130 workers will remain at the site when the layoffs are complete at the end of February.

Trade

Scottsdale has **turned down** a plan by developer Steve Ellman to build a **retail complex** — which includes a Wal-Mart Supercenter, Sam's Club, and Lowe's Home Improvement Warehouse — on land formerly occupied by the Los Arcos Mall at McDowell and Scottsdale roads. The major stumbling block was a request for a \$42 million subsidy by Ellman, who originally had planned to build a sports arena on the property for the

Phoenix Coyotes before making a deal with the city of Glendale last year. It first appeared, as details of the project surfaced, that Scottsdale officials took a positive view of the proposal (see Jan. 26, 2001, *Industry Update*). But on the further reflection, the amount of the subsidy came under fire from officials worried it would put Scottsdale at a substantial financial risk.

For a variety of reasons — slow economy, bankruptcy, end of leases, moves within mall — **Scottsdale Fashion Square** finds itself with **16 empty storefronts**. The high-end Westcor-owned mall near Scottsdale and Camelback roads has lost tenants that include Sears, FAO Schwarz, and Liz Claiborne, but has also picked up retailers such as Eddie Bauer Home and Macy's. Overall, Scottsdale Fashion Square is currently 90 percent full, which is in line with what is considered a "healthy" occupancy rate.

Michigan-based **Domino's Pizza** has **purchased 82 franchised stores** in the Phoenix metro area from **Sierra-Sonora Enterprises**. The move, which will not likely affect employment locally, will increase the number of stores owned and operated by Domino's to 602, out of a total of 7,000 stores worldwide.

Tucson Metro Area

Government

Despite layoffs of teaching personnel due to a state budget shortfall (see Feb. 9, 2002, *Industry Update*), the University of Arizona still must fill critical positions. In fact, **UofA** plans to **hire several hundred workers** in areas such as **police, custodial, maintenance, and engineering**. Besides being tagged as "critical," these positions can be filled because they will be funded from sources other than the state general fund, such as through sales tax revenue or grants.

To improve patient care, decrease turnover, and increase its nurse-to-patient ratio (1 nurse per 4 patients), **University Medical Center (UMC)** is **hiring 65 additional nurses**.

UMC, which increased nursing pay by \$2 an hour in December, said it needs to have the highest nurse-to-patient ratio in the state because the medical center deals with patients with complicated issues (e.g., heart transplants). UMC expects to hire many of its new nurses from outside the metro area and state.

Miscellaneous

The Tucson metro area's economic development efforts received a shot in the arm when the U.S. Department of Housing and Urban Development (HUD) recently **selected** the area as an **"Empowerment Zone."** The designation, one of just eight nationally, allows businesses that are expanding or relocating to the area to apply for \$17 million in federal tax credits. Businesses within the zone — which primarily surrounds an area bordered by Prince, Irvington, and Campbell roads and Interstate 10 — can receive up to \$3,000 in tax credits for each employee it hires for up to 10 years. For example, **Broadband Laboratories** (1300 S. Park Ave.) said the tax credits could help it **triple** its current **workforce of 30 within a few years**. In addition, the empowerment designation could help bring up to **\$230 million in tax incentives** for businesses associated with Tucson's downtown redevelopment project, **Rio Nuevo**. The planned development includes a sea aquarium, a hotel, and a conference center linked to the Tucson Convention Center. For more details on the Empowerment Zone program, go to the following HUD web site (www.hud.gov/economicdevelopment/index.cfm).

Balance of State

Manufacturing

The world's largest producer of natural Beefstake tomatoes will **expand** its existing **greenhouse operation** in **southeast Arizona** and **open** a renovated **hydroponic facility in Snowflake** that combined will **hire between 80 and 100 additional employees**. **Bonita-based Eurofresh**, which currently employs about 500, will have 160 acres of

greenhouse-grown tomatoes when the expansion is complete in December 2002. Starting pay at Eurofresh's operations is \$6.15 an hour, with a potential to make \$400 a week through base pay and production incentives, the company said.

A nearly 50-year-old, Washington state-based company expects to **hire around a dozen workers by April to manufacture campers** in a renovated 60,000-square-foot facility in **Winslow**. **Alaskan Camper Co.**, which is **considering moving its headquarters** from Chehalis, Wash., to the northeastern Arizona city, as well, will also run a sales operation in the former Coca-Cola plant. Alaska Campers, which claims it is the only maker of pop-up campers with solid walls, said it would invest \$1.5 million in the manufacturing facility over the next three years.

Mining

Contrary to the mostly negative news coming from the mining industry, **Phelps Dodge Corp.** said it will **build a \$40 million copper concentrate leaching operation** at its **Bagdad mine** about 60 miles southeast of Kingman. Expected to **begin operation in 2003**, the project is being co-developed with Canadian gold mining company Placer Dome. The two companies signed an agreement last October to develop technology to find new methods of extracting copper, gold, silver, and other metals. No information on the project's potential for jobs is known at this time.

Transportation, Communications, and Public Utilities

Continuing transmission problems (partly due to sandstorms) and Yuma's growing population are leading **El Centro, Calif., television station KECY to move 60 miles east to Arizona in April**. An affiliate of Fox, WB, and the Telemundo networks, KECY will **bring about 20 technical, sales, and administrative employees** with it. The station is owned by Palm Springs, Calif.-based Gulf California Broadcasting Co., which also owns stations in Sedona, Flagstaff, and Lake Havasu City.

Trade

Phoenix-based **Westcor Partners** have **re-leased details for redevelopment of Flagstaff Mall**, after previous plans — which included a Wal-Mart Supercenter, Harkins movie theater complex, Dillard's expansion, and additional shops — fell apart several months ago. This time, Westcor wants to still expand Dillard's by 25,000 square feet on one end of the mall, and **build three small "big-box" retail stores** (approximately 30,000 to 40,000 square feet each) and **one large "big-box" store** (180,000 square feet) on the mall's other end. The 90-acre project on land leased from the state would also include an **Olympic-size ice-skating center, several car dealerships, a movie theater complex, and residential housing**.

The **Hopi Indian Community** is working on plans to **develop a shopping center** near the **town of Polacca** on the south side of State Route 264 about 60 miles east of Tuba City. A **Bashas' grocery store employing about 80 people** would anchor the development, which would also include retail shops, a restaurant and gas station, and a post office. Target date for construction to begin is September, with completion about a year later.

Services

Yavapai Regional Medical Center (YRMC) in **Prescott opened an expanded emergency room** in late January that more than triples its size (to 17,000 square feet) and adds seven beds. The \$6 million project led to **seven new emergency room workers** and the doubling of doctors during peak hours (3 p.m. to 11 p.m.). YRMC emergency room visits grew by three-quarters in the past six years to 34,000 in 2001. The new facility will handle non-life-threatening injuries and illnesses.

Verde Valley Medical Center, owned by the city of Cottonwood, is planning a **two-phase expansion**, with an as-yet-to-be-determined time schedule. On tap first, possibly in 2003, are an ambulatory surgery center, neurosurgery operating room, and cardiac catheter-

ization lab. Plans down the road include two medical office buildings, a full-service cancer center, and a radiology unit.

Although not officially approved by the Indian nation, word has leaked out that the **Cocopah Indian Tribe** will **build a second casino in Yuma** that will be more than double the size of its existing 40,000-square-foot establishment (300 gaming machines). Groundbreaking on the casino could take place within the next few months, with an opening in summer 2003. A Las Vegas architectural firm was retained a year ago to work on the project.

Government

The **Border Patrol** expects to **open a new \$22 million station in June** that will house its **500 Douglas agents**. The 52,000-square-foot building, two miles west of the Douglas Port of Entry, will replace a structure that currently houses 70 employees. The federal government also plans to build a new horse stable, garage, and parking facilities next to the new station.

INDUSTRY UPDATE

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